

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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FISCAL IMPACT STATEMENT

LS 6420

BILL NUMBER: HB 1179

NOTE PREPARED: Dec 7, 2010

BILL AMENDED:

SUBJECT: Minimum Retirement Age.

FIRST AUTHOR: Rep. Niezgodski

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☒ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill eliminates the requirement that members of the Public Employees' Retirement Fund (PERF) who retire under the "Rule of 85" must be at least 55 years of age.

Effective Date: July 1, 2011.

Explanation of State Expenditures: The table shows the estimated impact of this proposal.

	State	Political Subdivisions	Total
Increase in Unfunded Accrued Liability	\$8.4 M	\$8.88 M	\$17.28 M
Increase in Annual Cost	\$760,000	\$830,000	\$1.59 M
Increase in Annual Cost (as % of Pay)	0.051%	0.031%	0.037%

Any PERF benefit legislation passed during the 2011 session of the General Assembly will be reflected in the July 1, 2011, actuarial valuation. Any cost changes will then be reflected in the contribution rates for the state beginning July 1, 2012, or FY 2013. Contribution rates for local units would first be affected beginning January 1, 2013, or CY 2013.

The funds affected are the state General Fund (55%), or \$418,000, and various dedicated funds (45%), or \$342,000. The percentage split represents the split in the state budget for personal services.

The bill is estimated to decrease funded status from 98.2% to 98.1%.

NOTE: The above estimate is based on 2008 data. This estimate will be updated upon receipt of current data.

Explanation of State Revenues:

Explanation of Local Expenditures: See *Explanation of State Expenditures*, above.

Explanation of Local Revenues:

State Agencies Affected: all.

Local Agencies Affected: Those local units with members in the PERF.

Information Sources:

Fiscal Analyst: Chuck Mayfield, 317-232-4825.

DEFINITIONS

Funded Status- The ratio of the assets of a pension plan to its liabilities.

Actuarial Liability- The actuarial liability is the present value of benefits to be paid by the fund minus the present value of future contributions to be paid in to the fund.

Unfunded Actuarial Liability- The unfunded actuarial liability, sometimes called the unfunded liability, of a retirement system at any time is the excess of its actuarial liability at that time over the value of its cash and investments.